

Department of Social and Health Services

DP Code/Title: M2-9F Federal Funding Adjustment

Agency Wide

There are 8 Programs in this DP

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

Recommendation Summary Text:

Program(s): 030 040 050 060 070 080 110 145

This step requests the realignment of federal funding sources assumed in the agency's carry forward level budget.

It also requests revisions to the Division of Developmental Disabilities (DDD) and Economic Services Administration (ESA) previous federal earning assumptions.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Overall Funding			
001-1 General Fund - Basic Account-State	5,698,000	5,703,000	11,401,000
001-2 General Fund - Basic Account-Federal	(1,652,000)	(2,555,000)	(4,207,000)
001-A General Fund - Basic Account-DSHS Fam Support/Chi	3,775,000	3,774,000	7,549,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	(4,366,000)	(2,605,000)	(6,971,000)
001-D General Fund - Basic Account-TANF (DSHS)	19,253,000	19,917,000	39,170,000
001-E General Fund - Basic Account-CCDF (DSHS)	(22,708,000)	(24,234,000)	(46,942,000)
Total Cost	0	0	0

Staffing

Package Description:

Program(s): 030

The majority of these federal funding source adjustments are related to approved allotment changes not reflected in the Budget and Allotment Support System's carry forward level budget.

Program(s): 040

The majority of these federal funding source adjustments are related to approved allotment changes not reflected in the Budget and Allotment Support System's carry forward level budget.

The 2001-03 Budget assumed a higher federal match than can be attained within budget unit H-51, Residential Programs. The budget assumed DDD would earn federal funds at a rate of 46.4 percent while the division can earn only 44.8 percent. The difference is that 6.5 percent of the H-51 allotment are state-only expenditures for which no federal match can be earned. These state-only expenditures reflect situations where the services are not covered within the Home and Community Based Services (HCBS) waiver, such as client allowance, client start-up costs, or facility start-up costs. Additionally, there are a number of clients who are supported with state-only funds because they do not qualify for the HCBS waiver due to income. In the 2001-03 Budget the Legislature also restricted the number of clients added to the waiver.

The 2002 Legislature directed the division to redirect some state-only expenditures as State Supplemental Payments (SSP). There will be approximately \$2.5 million per year of current state-only expenditures within H-51 which will be converted to SSP. Because these funds cannot be used to claim federal match, this will further restrict any opportunity to increase the federal match within H-51.

Program(s): 050

The majority of these federal funding source adjustments are related to approved allotment changes not reflected in the Budget and Allotment Support System's carry forward level budget.

Program(s): 060

The majority of these federal funding source adjustments are related to approved allotment changes not reflected in the Budget and Allotment Support System's carry forward level budget.

Federal laws and regulations were enacted in 1998 requiring states to operate under a cost allocation method that fully

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allocates administrative charges to the federal or state program benefiting from each administrative activity. While most of the ESA has made the required adjustments, the Automated Client Eligibility System (ACES) funding base was not under ESA authority at the time the funding shift was completed. Thus, ACES was excluded from original calculations and subsequent funding adjustments.

Under the former Aid to Families with Dependent Children (AFDC) program, the Department of Social and Health Services used the "primary program" cost allocation methodology, allocating some administrative costs to AFDC that actually benefited Food Stamp and Medicaid programs.

The federal Agricultural Research, Extension and Education Reform Act of 1998, Public Law 105-185 and the Department of Health and Human Services Action Transmittal, OGAM AT 98-2, now requires states to use the "benefiting program" methodology for cost allocating staff and operational expenditures. This change from the "primary program" to the "benefiting program" methodology results in a larger share of costs attributed to federal Medicaid, Food Stamp, and state-only funded programs. The Medicaid and Food Stamp programs require the state to match federal funds with 50 percent state dollars.

This proposal requests the ACES funding base be adjusted to reflect this change in cost allocation methodology. There is no net change in the total ACES budget as a result of this request.

Program(s): 070

The majority of these federal funding source adjustments are related to approved allotment changes not reflected in the Budget and Allotment Support System's carry forward level budget.

DASA receives numerous grants from outside sources. This step allows appropriation authority for funds from outside sources that are known to continue into, or have carry-over funding available for the new biennium.

Program(s): 080 110 145

The majority of these federal funding source adjustments are related to approved allotment changes not reflected in the Budget and Allotment Support System's carry forward level budget.

Narrative Justification and Impact Statement

How contributes to strategic plan:

Program(s): 030 040 050 060 070 080 110 145

This proposal supports the department's strategic plan to maintain a safety net for people in need by delivering cash, food, medical benefits, child care, and other services to eligible people quickly and accurately.

Performance Measure Detail

Goal: 01Z DSHS Accounts for Its Use of Public Dollars

Incremental Changes

FY 1

FY 2

No measures submitted for package
No measures submitted for package
No measures submitted for package
No measures submitted for package
No measures submitted for package
No measures submitted for package
No measures submitted for package

Program: 040

Goal: 06D Effectively/efficiently use resources to accomplish values/principals/ mission

Incremental Changes

FY 1

FY 2

No measures submitted for package

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Program: 060

Goal: 02F Maintain safety net for people in need.

No measures submitted for package

Incremental Changes

FY 1

FY 2

Program: 070

Goal: 05G Break down barriers to self-sufficiency.

No measures submitted for package

Incremental Changes

FY 1

FY 2

Reason for change:

Program(s): 030

To align budgeted federal funding sources with projected federal earnings.

Program(s): 040

To align budgeted federal funding sources with projected federal earnings.

DDD will spend \$3.3 million more per year than the General Fund-State (GF-S) appropriation for budget unit H-51, Residential Programs. It will correspondingly underspend a similar amount in General Fund-Federal appropriation. This shortfall in GF-S appropriation will require adjustment in services elsewhere.

Program(s): 050

To align budgeted federal funding sources with projected federal earnings.

Program(s): 060

To align budgeted federal funding sources with projected federal earnings.

Under the former AFDC program, deviations from the benefiting program methodology were allowed. However, Temporary Assistance for Needy Families (TANF) regulations do not allow primary program cost allocation. The change to a benefiting program methodology results in additional charges to Medicaid, Food Stamps, and state-only funded programs while reducing charges to TANF and other federal programs.

As stated in OGAM AT 98-2, there is no alternative to this federal requirement and states must provide necessary funds. Office of Financial Management and Budget Circular A-87 requires states to comply with cost allocation rules. Failure to do so would jeopardize federal funding for all ESA programs.

Program(s): 070 080 110 145

To align budgeted federal funding sources with projected federal earnings.

Impact on clients and services:

Program(s): 030 040 050

None

Program(s): 060

By correcting the ACES funding base, ESA will be able to respond to legislative, federally mandated, or program-critical policy and operation changes in a timely manner.

Program(s): 070 080 110 145

None

Impact on other state programs:

Program(s): 030 040 050

None

Program(s): 060

Programs outside of ESA depend on ACES. These include the Medical Assistance Administration, Children's

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Administration, Aging and Adult Services Administration and the Division of Alcohol and Substance Abuse.

Program(s): 070 080 110 145
None

Relationship to capital budget:

Program(s): 030 040 050 060 070 080 110 145
None

Required changes to existing RCW, WAC, contract, or plan:

Program(s): 030 040 050 060 070 080 110 145
None

Alternatives explored by agency:

Program(s): 030

The alternative is to leave the federal earning assumptions as assumed in the carry forward level. This alternative was chosen so that federal earnings are in line with budget assumptions.

Program(s): 040

To offset the shortfall within funding sources, DDD considered reducing services in Residential Programs or Community Services as follows.

Reduce support to clients supported in Residential Programs:

Most clients supported in H-51 have been placed on the HCBS waiver. Reductions in their current level of support could jeopardize federal match claims. DDD provides support to clients commensurate with their needs. If services are reduced, client health and safety may be compromised. In a 1999 housing survey conducted by DDD, it was determined that 50 percent of clients live in multiple-person households. In the more expensive Intensive Tenant Support program, 70 percent of clients lived in multiple-person households. Because the vacancy rate in the residential program is very low (less than 1 percent) and because most clients do not live alone, very few savings can be generated by maintaining vacancies.

Reduce expenditures in other budget units within Community Services:

If the projected shortfall in H-51 cannot be addressed by other means, DDD will reduce services that do not compromise client health and safety or create problems with the Center for Medicaid and Medicare Services (CMS), formerly known as the Health Care Finance Administration. The reductions would likely occur within Family Support or Employment and Day Programs.

Program(s): 050

The alternative is to leave the federal earning assumptions as assumed in the carry forward level. This alternative was chosen so that federal earnings are in line with budget assumptions.

Program(s): 060

Additional General Fund-State (GF-S) expenditures are a result of changes to federal law and regulation. While there is no net change to the total ACES budget, this change may increase Washington State's Initiative-601 spending limit.

In the 2001-03 Biennium, ACES attempted to operate within its existing funding base. This meant that to stay within the GF-S budgeted amount, federal dollars went unspent because state match was insufficient. To stay within budget, ACES management reduced the number of contract staff, eliminated several initiatives (including AIM 2000 (quality oversight)), and delayed installation of software and hardware needed to increase productivity. From July 2000 through June 2002, budgetary shortfalls have led to an 18 percent reduction in ACES contract staff. As a result, the department now faces a 29 percent increase in ACES-related backlogged problem reports and change requests (Fiscal Year 2002).

ACES administrators are now in a position in which they will be unable to implement congressionally-mandated program changes in a timely manner. For example, ACES was required to implement Supplemental Security Income, State Supplement Payments changes and eliminate State Family Assistance Medicaid within very short timeframes. To meet those

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timeframes, ACES has postponed federally-mandated Farm Bill changes. Now, the state must continue to pay federally-eligible legal immigrants from GF-S dollars because the ACES system is incapable of responding to programming changes made prior to the date federal food stamp benefits to legal immigrants with disabilities was restored.

To continue under the current funding base will cause an additional backlog of requests. TANF is up for reauthorization during the 2002 Congressional Session, and all indications are that there will be numerous changes to the program. The anticipated federal changes will require substantive modifications to the ACES system.

Program(s): 070 080 110 145

The alternative is to leave the federal earning assumptions as assumed in the carry forward level. This alternative was chosen so that federal earnings are in line with budget assumptions.

Budget impacts in future biennia:

Program(s): 030 040 050 060 070 080 110 145

Corrections may need to be made each biennia based on actual federal earning for individual federal funding sources.

Distinction between one-time and ongoing costs:

Program(s): 030

The award letters for each project specify the time period. When the funding ends, the projects will end. All costs associated with the federal grants are considered one-time.

Program(s): 040

All costs are ongoing.

Program(s): 050

The award letters for each project specify the time period. When the funding ends, the projects will end. All costs associated with the federal grants are considered one-time.

Program(s): 060

All costs are ongoing.

Program(s): 070 080 110 145

The award letters for each project specify the time period. When the funding ends, the projects will end. All costs associated with the federal grants are considered one-time.

Effects of non-funding:

Program(s): 030

These changes from official carry forward level assumptions are requested to better reflect expected federal earnings.

Program(s): 040

These changes from official carry forward level assumptions are requested to better reflect expected federal earnings.

Non-funding of this item will jeopardize federal match claims resulting in service reductions that could compromise clients' health and safety. If the projected shortfall in H-51 is not addressed by other means, DDD will reduce services that do not compromise client health and safety or create problems with the CMS. The reductions would likely occur within Family Support or Employment and Day Programs.

Program(s): 050

These changes from official carry forward level assumptions are requested to better reflect expected federal earnings.

Program(s): 060

These changes from official carry forward level assumptions are requested to better reflect expected federal earnings.

If this request is not approved, ACES administrators must reduce the budget by \$5 million to meet the state/federal matching requirement. Failure to adequately fund ACES will limit the state's ability to respond timely to legislative, federally mandated, and program-critical changes. Scheduled hardware upgrades will be delayed, reducing the performance and reliance of this mission. Staffing levels may decline to the point that ongoing maintenance, as well as program-critical changes, cannot be supported.

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Program(s): 070 080 110 145

These changes from official carry forward level assumptions are requested to better reflect expected federal earnings.

Expenditure Calculations and Assumptions:

Program(s): 030

See attachment - AW M2-9F Federal Funding Adjustment.xls

Program(s): 040

See attachment - DDD M2-9F Federal Funding Adjustment.xls

Program(s): 050

See attachment - AW M2-9F Federal Funding Adjustment.xls

Program(s): 060

See attachments - ESA M2-9F Federal Funding Adjustment.xls and AW M2-9F Federal Funding Adjustment.xls

Program(s): 070

See attachment - DASA M2-9F Federal Funding Adjustment.xls

Program(s): 080 110 145

See attachment - AW M2-9F Federal Funding Adjustment.xls

Object Detail

FY 1

FY 2

Total

Program Totals

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DSHS Source Code Detail

Overall Funding		<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State				
<u>Sources</u>	<u>Title</u>			
0011	General Fund State	4,979,000	4,984,000	9,963,000
GFS3	General Fund State CCDF Moe Mandatory	(5,281,000)	(5,281,000)	(10,562,000)
GFS4	General Fund State CCDF Match	6,000,000	6,000,000	12,000,000
<i>Total for Fund 001-1</i>		5,698,000	5,703,000	11,401,000
Fund 001-2, General Fund - Basic Account-Federal				
<u>Sources</u>	<u>Title</u>			
001B	Social Security Disability Ins (100%)	99,000	99,000	198,000
125B	Mental Health Planning and Demo Proj(B)(100%)	(400,000)	(400,000)	(800,000)
230B	Consolidated Knowledge Devel(100%)	(2,139,358)	(2,139,358)	(4,278,716)
566B	Refugee & Entrant Assist-St Admin'd Prog(D)(100%)	(843,000)	(978,000)	(1,821,000)
727B	Combat Underage Drinking (100%)	825,000	825,000	1,650,000
767H	Children's Health Ins Prog (CHIP)	1,108,000	1,105,000	2,213,000
958B	Community Mental Health Block Grant (100%)	3,614,000	3,614,000	7,228,000
959B	Substance Abuse Prev & Trmt BG (SAPT) (100%)	400,000	400,000	800,000
999B	Miscellaneous (100%)	(2,990,175)	(3,666,175)	(6,656,350)
E61L	Food Stamp Program (50%)	(503,000)	(592,000)	(1,095,000)
Z10B	High Intensity Drug Traffic Area (100%)	(822,467)	(822,467)	(1,644,934)
<i>Total for Fund 001-2</i>		(1,652,000)	(2,555,000)	(4,207,000)
Fund 001-A, General Fund - Basic Account-DSHS Fam Support/Chi				
<u>Sources</u>	<u>Title</u>			
563I	Title IV-D Child Support Enforcement (A) (66%)	1,240,000	1,239,000	2,479,000
658L	Title IV-E-Foster Care (50%)	2,217,000	2,217,000	4,434,000
659L	Title IV-E Adoption Assistance (50%)	318,000	318,000	636,000
<i>Total for Fund 001-A</i>		3,775,000	3,774,000	7,549,000
Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa				
<u>Sources</u>	<u>Title</u>			
19TA	Title XIX Assistance (FMAP)	(5,431,322)	(5,432,196)	(10,863,518)
19TB	Title XIX Assistance (100%)	775,000	775,000	1,550,000
19UD	Title XIX Admin (90%)	51,499	51,498	102,997
19UG	Title XIX Admin (75%)	208,273	208,273	416,546
19UL	Title XIX Admin (50%)	30,550	1,792,425	1,822,975
<i>Total for Fund 001-C</i>		(4,366,000)	(2,605,000)	(6,971,000)
Fund 001-D, General Fund - Basic Account-TANF (DSHS)				
<u>Sources</u>	<u>Title</u>			
558B	Temp Assist for Needy Families (TANF) (100%)	19,253,000	19,917,000	39,170,000
<i>Total for Fund 001-D</i>		19,253,000	19,917,000	39,170,000

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Fund 001-E, General Fund - Basic Account-CCDF (DSHS)

<u>Sources</u>	<u>Title</u>			
575B	CCDF (Discretionary) (100%)	42,763,000	10,196,000	52,959,000
596A	CCDF Match (FMAP)	14,932,118	19,446,627	34,378,745
596B	CCDF Mandatory (100%)	(80,403,118)	(53,876,627)	(134,279,745)
<i>Total for Fund 001-E</i>		(22,708,000)	(24,234,000)	(46,942,000)
Total Overall Funding		0	0	0

Funding Totals by Program

Dollars in Thousands

<u>Program</u>	<u>FTE's</u>		<u>GF-State</u>		<u>Total Funds</u>	
	<u>FY 1</u>	<u>FY 2</u>	<u>FY 1</u>	<u>FY 2</u>	<u>FY 1</u>	<u>FY 2</u>
030 Mental Health	0.0	0.0	0	0	0	0
040 Div of Developmntl Disab	0.0	0.0	3,300	3,300	0	0
050 Long Term Care Services	0.0	0.0	0	0	0	0
060 Economic Services Admin	0.0	0.0	2,398	2,403	0	0
070 Div of Alc/Substnce Abuse	0.0	0.0	0	0	0	0
080 Medical Assistance	0.0	0.0	0	0	0	0
110 Admin & Supporting Svcs	0.0	0.0	0	0	0	0
145 Payment to Other Agencies	0.0	0.0	0	0	0	0
Grand Total:	0.0	0.0	5,698	5,703	0	0